



Contents lists available at SEI

Contemporary Logistics

journal homepage: www.seiofbluemountain.com



Logistics Finance: New Approach to Resolve Financing Difficulty Position of Medium-sized and Small Enterprises in Heilongjiang Province

Yingxia ZHAO*

School of Economics, Harbin University of Commerce, 150028, P.R.China

KEY WORDS

Logistics finance,
Medium-sized and small enterprises,
Financing pattern,
Logistics bank

ABSTRACT

The medium-sized and small enterprises financing difficulty has already become the bottleneck which restrains their further development, the logistics finance is one kind of the late-model financing pattern having an effect to link logistics with fund stream, can pertinently resolve financing question of some medium-sized and small enterprises, especially satisfy the short term financing need of enterprises of seasonal characteristic in production or sale. Based on introducing financing situation of medium-sized and small enterprises in Heilongjiang province, analyze the logistics finance effect to medium-sized and small enterprises financing of Heilongjiang province. Further, financing patterns such as financing warehouse, the logistics bank, and balancing instead of clients in logistics finance of Heilongjiang province medium-sized and small enterprises have been discussed. Lastly, Heilongjiang province medium-sized and small enterprises should create condition to carry out the logistics finance, the government should provide perfect law guarantee and financing environment, finance enterprises ought to open up the relevance business actively; logistics enterprises should reinforce the norm and inspection in order to promote the development of logistics finance in many ways together.

© ST. PLUM-BLOSSOM PRESS PTY LTD

1 Introduction

The logistics finance has already developed for 200 years history in the Europe developed countries and America, and its application is already very mature and common. But, in China theory study is weak since logistics finance practice still is in starting phase, theory study concentrates on connotation definition and operating pattern and so on, study method mainly gives first place to determining the nature.

Medium-sized and small enterprises of Heilongjiang province have brought more and more effect to the aspects such as creating the wealth of society, driving economic growth, increasing state revenue, increasing employment, enlivening market economy, convenient for people life, and have become important strength to support economy persistent and rapid growing. The Heilongjiang

* Corresponding author.

E-mail: xiayingzhao@sina.com

province is a big province of natural resources, own large amount of the medium-sized and small enterprises which give first place to raw material machining and primary product producing. While inshore extroverted type enterprise export has been influenced, these medium-sized and small enterprises have also accepted certain degree effect. At present, resolving Heilongjiang province medium-sized and small enterprises development problem concentrates on breaking financing bottleneck. According to a report of 2010 Heilongjiang province labor committee, fund demand of Heilongjiang province medium-sized and small enterprises is at least above 100 billion Yuan every year, the part of self-financing by inner source is less than 30%, others mainly depend on the external financing and bank credit which can resolve 10% or so, financing gap is above 60 billion Yuan.

2 Analysis on Heilongjiang Province Medium-sized and Small Enterprises Financing Situation

The difficulty problem of financing loan faced by the medium-sized and small enterprises has already become the bottleneck which affects overall situation of Heilongjiang province economic growth and restraints Heilongjiang province economic growth. The causes to bring about financing difficulty of Heilongjiang province medium-sized and small enterprises are the following aspects mainly.

2.1 Medium-sized and small enterprises oneself reason

In the one hand, scale of medium-sized and small enterprises is small, free fund proportion is low, the demand quantity of fund is small and frequency is high, the liabilities ability is limited; On the other hand, compared with big enterprises, there are such problems that financial system does not standardize, information transparency is not high, the ability of resisting risk is weak in the management of medium-sized and small enterprises so that their competitive power is not strong, marketplace risk is bigger, bring about the bank and enterprise information asymmetry, and banking institution does not dare to give a loan to them. At the same time, the international financial crisis has a big influence on medium-sized and small enterprises which mainly depend on export. The medium-sized and small enterprise payoff is descendent; this restricts the ability of gaining a loan by the bank, and has increased financing difficulty of the medium-sized and small enterprises.

2.2 Unitary financing channels and the relatively high financing condition

From direct financing, medium-sized and small enterprises is very difficult to raise the fund directly by capital market because the financing environment adapting to the medium-sized and small enterprises development has not formed yet, bond market threshold is high, the investing main body is faultily, company bonds issue entering obstacle. There are more restricting on indirect financing way, some banking institutions request medium-sized and small enterprises the same as big enterprises, the examining items and standard are the same.

2.3 Difficult to get a loan from the commercial bank, many loan links and long loan time

The unbalance on system and policy has direct impact on bank loan and direct financing channel. One aspect, the loan policy of the commercial bank is to give priority to large and medium-sized enterprises, finally to consider medium-sized and small enterprises. Even if the bank gives a loan to medium-sized and small enterprises, their solvency liquidity is low and loan risk is big, the bank puts higher difference interest rate into practice, the loan sort adopts the way of mortgaging and guaranteeing, not only procedures is complicated and overloaded, the loan links are many, but also examining and approving time is long and the additional cost of medium-sized and small enterprises loan is high. On the other hand, the innovation of banking institution in the setup of organ, product design, credit rating, loan management is less, and it is difficult to meet the finance service need of medium-sized and small enterprises. Moreover, the rate of the loan provided by non-Governmental finance institution is higher.

2.4 Faulty credit guarantees system

The guarantee organization is the intermediary organ of the enterprise and the bank, not only can resolve the problem that the need of medium-sized and small enterprises loan is high but mortgage assets is little, but also can share the loan risk of banking institutions effectively. According to Heilongjiang industry and informatization committee's information, Heilongjiang province policy guarantee organizations have already provided 21 billion Yuan loan guarantee for more than 3,500 medium-sized and small enterprises at the end of 2009; There have been 51 financing guarantee organizations which serve medium-sized and small enterprises loan at the end of 2009, and their registered capital is 4,800,000,000 Yuan. But among policy guarantee organizations, there are only 20 or so guarantee organizations which have certain economic strength, there exist such problems that capital scale is small, corporate management structure is not improving, charges system is not perfecting, guaranteeing ability is weak, risk control ability is not strong, they are needing further strengthening and improving.

2.5 The fund chains rupture stricken by the financial crisis

The whole world financial crisis since 2008 has brought about a gigantic strike to real economy development and unknown challenge for the development of medium-sized and small enterprises really. Because most medium-sized and small enterprise scale is small, strength is weak, resisting risk ability is not good, the weak treatment ability to unexpected event and the financing troublesome problem is further appearing out. The recovery period of our country financial crisis is also the economic growth starting period, medium-sized and small enterprises will need large amount of fund to develop. Therefore financing problem is becoming an important problem of medium-sized and small enterprises development.

2.6 Few small and medium banking institutions matching with medium-sized and small enterprises

At present there are few policy banks that serve for medium-sized and small enterprises financing in bank organization system of our country, although our country has already had the small and medium commercial banks all over urban and rural such as rural credit cooperative, joint-stock commercial bank and city commercial bank, because they do not get the policy financing right, their own problem has not been solved, so they have no way to satisfy medium-sized and small enterprises loan need.

3 Effect to Heilongjiang Province Medium-sized and Small Enterprises Financing by Logistics Finance

The characteristic of logistics finance service is to bring both sides advantage into play by the cooperation of the bank and logistics enterprise and neatly provide logistics finance service to medium-sized and small enterprises in order to resolve the problem that enterprises are difficult to mortgage. As a result it has had vast space for development. By adopting the logistics finance financing, there are the following benefit to medium-sized and small enterprises.

3.1 Broadening financing channel and reducing financing cost

By financing way of logistics finance, medium-sized and small enterprises have opened up a new form of external source financing, and have reduced higher financing risk and financing threshold of external source financing (for example stock financing). The third party that logistics enterprises set up every link's dividing and cooperation of logistics finance service to be programmed, be institutionalized and be network, may lower financing business cost to a minimum. The bank can cut down the preparation extracting risk loss and reduce loan interest thereby, because loan risk comes down; Third party logistics enterprises bring scale economy advantage into play because the customers increase and scale expands; And medium-sized and small enterprises are able to get professional logistics serves to reduce logistics cost, can reduce adopting relation cost of irregular financing means and channels.

3.2 Reducing fund occupancy rate of raw material, half-finished product and finished product, raising the turnover of capital efficiency and realizing the capital optimization disposition

And in logistics finance service, commercial banks take the medium-sized and small enterprises commodity of market salability, price steadiness and strong circulation as guaranty, handle information management system of logistics companies, combine fund stream of the commercial bank with the logistics of logistics businessman to provide medium-sized and small enterprises with integrated service business such as financing and balancing. This makes medium-sized and small enterprises carry out chattel mortgage, revitalize self's fund thereby, use limited fund for product exploitation and marketplace dilation, and cut down stock fund occupancy and unmarketable, improve the fund utilization rate. By logistics finance financing pattern, logistics enterprises, banks and medium-sized and small enterprises combine effectively, make supply chain supplying, production, sell, transport, stock and interrelated information management the dynamic mortgage way, small and medium enterprises obtain financing, at the same time accelerate production marketing velocity.

3.3 Resolving the loan mortgage troublesome problem of medium-sized and small enterprises

Enterprises applying to get a loan from the bank should make a mortgage with fixed assets in general, but because medium-sized and small enterprise scale is sometimes limited, the fixed assets to mortgage are few, and this has restricted a bank to loan to medium-sized and small enterprises. Although medium-sized and small enterprises are short of the fixed assets to mortgage, there are quite a number of movable properties such as raw and processed materials and finished goods in the process of operation. Large amount of them stick in storing link, especially seasonal characteristic enterprises on producing or marketing. The logistics finance can allow fixed assets to mortgage, can also allow medium-sized and small enterprises to use currency assets to mortgage such as raw material and finished, this has changed movable property into movable guaranty, has made the medium-sized and small enterprises being short of the real estate. Mortgage has more collateral loan implements, which partly have resolved the financing difficult

position of medium-sized and small enterprises because of mortgaging.

3.4 Cutting down the information asymmetry between medium-sized and small enterprises and banking institution

On the one hand, the logistics finance has made chattel guaranty become the ultimate undertaker of risk loss, not only can disperse risk, but also can make the bank not to need knowing all-round information of loan enterprises and lessen information cost; On the other hand, by the logistics finance, medium-sized and small enterpriser's mortgage goods will accept third party logistics enterprise inspection, banking institution is able to grasp more managing information about medium-sized and small enterprises thereby, information is symmetrical. At the same time, it is also beneficial to build up the credit system of medium-sized and small enterprisers, reduce reverse choice and moral hazard in financing process and increase enthusiasm of bank loan to medium-sized and small enterprises.

3.5 Lifting supply chain operation efficiency and improving the competitiveness of medium-sized and small enterprises

Supplying chain competition has already become the core of commercial competition in economic globalization. The logistics finance service can break the bottleneck in financing link of medium-sized and small enterprises, thereby improve supply chain operation efficiency of medium-sized and small enterprises, improve their ability and position in supply chain, and better unite them with other enterprises, lifting their competition in a marketplace. The logistics finance not only make medium-sized and small enterprises gain more convenient credit, but also can bring benefit to bank and third party logistics enterprises. To the bank, it can broaden the scope of service object and expand credit scope, this is helpful to resolve the contradiction that a lot of banks in our country cherish the loan because of being fear of risk on one hand, on the other hand banks have large amount of saving deposit. To third party logistics enterprises, carrying out the logistics finance business can bring more stable customers and can innovate added value service such as value assessment, credit guarantee and goods auctions, and provide more logistics serve projects for society.

4 Financing Patterns by Which Heilongjiang Province Medium-sized and Small Enterprises Make Use of Logistics Finance

Concretely, the financing patterns by which medium-sized and small enterprises of Heilongjiang province make use of logistics finance are three kinds of the following mainly.

4.1 The financing warehouse pattern

The financing warehouse is to take periphery medium-sized and small enterprises as main service object, take that the mobile commodity storehouse as basis, including medium-sized and small enterprises credit integration and reform, logistics distribution, Electronic Commerce and tradition commerce all-around serve platform. The basal principle that the financing warehouse operates is: the manufacturers use the raw material or the finished product as guaranty or gage to deposit in the financing warehouse of the third party logistics enterprises, gain collaborative bank loan by this, and then repay loans by stages in the process of subsequent production and marketing. Third party logistics enterprise provides the storage, value assessment, location oversee, credit assurance of guaranty to set up the financing fund bridge between banks and enterprises. Financing warehouse way applies to the medium-sized and small manufacturer with long-term stock, its product still has comparatively stable price and higher auction cash-in ability, also applies to financing of medium-sized and small enterprises in the middle link of supply chain.

4.2 The logistics bank pattern

The logistics bank, namely, "the logistics bank impawn loan business ", is an integrated service business that commercial banks take the medium-sized and small enterprises commodity of market salability, price steadiness, strong circulation as guaranty, handle logistics information management system of logistics businessman, combine fund stream of the commercial bank with the logistics of logistics businessman, provide medium-sized and small enterprises with financing and balancing. Therefore the bank logistic not only provides medium-sized and small enterprises with financing service or logistics service, but also provides a financing pattern combining finance service with logistics service. The most innovation of logistics bank is allowing medium-sized and small enterprises to guaranty current assets, such as raw material and product finished product besides fixed assets. This has resolved the medium-sized and small enterprises financing problem such as difficulty to guarantee because of being short of fixed assets, accelerates the revolving efficiency of producing and selling, and gives more financing ways to medium-sized and small enterprises. Therefore, logistics bank tactics applies to medium-sized and small enterprises of more movable property and enterprises of diversiform managing.

4.3 Balancing instead of clients pattern

Balancing instead of clients tactics is a financing tactics that is suitable for medium-sized and small enterprises of few fund and high frequency business, and it is able to cut down the medium-sized and small enterprises regular business balancing and reduce the balancing fund and manpower cost. Generally, balancing instead of clients tactics applies to the pattern of business to business and business to customer, moreover relative to other financing ways, its financing amount is less, only is the outside balancing and periodic balancing of balancing business.

5 Conclusion

By all above analysis, it is concluded that logistics finance is one kind of effective and nimble financing way that can resolve the financing difficult problem of medium-sized and small enterprises of Heilongjiang province. Therefore, medium-sized and small enterprises of Heilongjiang province should attach great importance to the logistics finance and create the condition to develop logistics of finance, the government ought to give logistics finance to provide more perfect law guarantee and financing environment, banking institution ought to develop the new logistics finance business actively, logistics enterprise ought to perfect guaranty inspection system and logistics information system, the academia ought to study and innovate the theory relating to logistics finance ceaselessly. By effort of many ways, the logistics finance is meeting much better development prospect, is resolving financing difficult position of medium-sized and small enterprises of Heilongjiang province effectively.

Author in Brief:

ZHAO Yingxia (1975-), female, Zhaoyuan city of Shandong province, doctor of management, associate professor of Harbin University of Commerce.

References

- [1]. HONG Yitian etc. Logistics Finance: Innovative Approach of Resolving Medium-sized and Small Enterprises Financing Difficult Position [J]. Journal of Zhengzhou Institute of Aeronautical Industry Management. 2010 (4): 110-113 (in Chinese)
- [2]. WANG Yongping. Logistics Finance: New Approach of Resolving Financing Difficult Position of Medium-sized and Small Enterprises [J]. China Packaging Industry. 2009 (6): 30-32 (in Chinese)
- [3]. TANG Xiaohua. Logistics Finance: A New Way to Solve the Financing Dilemma for Small/Medium-sized Enterprises. [J]. Logistics Technology. 2009 (6): 31-33 (in Chinese)
- [4]. JU Yingying, ZHANG Qiwen. Finance Innovation: The Key to Resolve Financing Difficulty of Heilongjiang Province Medium-sized and Small Enterprises [J]. Business Economy. 2009 (11): 11-12 (in Chinese)

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.